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Gary A. Grinnell, President and Chief Executive Officer

March 31, 2009

*Via FedEx*

Ms. Mary Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

Re: Advanced Notice of Proposed Rulemaking to 12 CFR Part 704

Dear Ms. Rupp:

On behalf of the management and Board of Corning Federal Credit Union, I would like to take this opportunity to comment on the recently issued Advance Notice of Proposed Rulemaking (ANPR) to 12 CFR Part 704 regarding corporate credit unions.

Because corporate credit unions have long played a significant role in the credit union system, we appreciate the NCUA for allowing natural person credit unions the opportunity to express our thoughts and viewpoints on this proposed rulemaking process. Corning Federal Credit Union is pleased to offer the following comments for the Board's consideration as it begins to formally review the corporate credit union system for possible structural and operational changes.

#### Field of Membership Issues

The ANPR suggests a premise that the current difficulties facing the corporate credit union system are, in part, a result of NCUA's longstanding policy of allowing corporate credit unions to have national fields of membership. We disagree with this premise. Although the existence of competition will always influence the pricing necessary to earn and retain business in a competitive environment, competition is integral to the success of the American free enterprise system. The choice of corporates is a valuable one for natural person credit unions, and it is a choice that we would not want to lose.

Frankly, we are unaware of any empirical data that would support the premise that national fields of membership have caused any single corporate credit union to engage in significant undue risk. Absent such data, we feel that the loss of choice is a high price to pay for what would be mere speculation.

We feel that national fields of membership have fostered healthy competition among the corporate credit union network and have resulted in valuable choice for natural person credit unions. But, more importantly in today's marketplace, the choice of more than one corporate credit union has helped mitigate concentration risk by natural person credit unions.

Returning to a single defined state or regional corporate that is the only provider a natural person credit union can join to keep its business within the system is unhealthy. The current issues associated with credit risk and market devaluation are not unique to the corporate system and affect a much broader spectrum of the financial sector today. To limit or restrict the ability of a corporate credit union to offer its products and services to natural person credit unions on a national level would be a short sighted policy as it would not contribute to the mitigation of risk in any significant fashion. In fact, it would contribute to greater concentration risk.

Our priority is that the corporate credit unions from which we choose to do business are safe, sound, healthy, and positioned to meet the needs of our credit union. If the agency sets the appropriate parameters for individual corporate credit unions so that we can do our due diligence and find their safety and soundness to be at acceptable levels, we feel that we are more than capable of choosing which corporate credit union(s) to do business with. Please do not remove that choice.

#### Expanded Investment Authority

The ANPR raises the question of whether the option for corporate credit unions to engage in expanded investment authority should continue to be authorized by NCUA in light of the current economic and investment crisis. In our view, expanded investment authority must be earned by the corporate credit union seeking it, must be balanced with appropriate risk based capital, must be monitored by the appropriate authorities, but it also must be continued. Corporate credit unions must be able to generate a return beyond what a natural person credit union can earn or they will not be able to be competitive options for us. Neither will a corporate credit union without expanded investment authority be able to build the sufficient capital to remain safe, sound, and strong while they are managing the risk in their portfolios. To us, the issue seems to be the amount of credit risk that is allowed under the permissible investments.

We feel that a significant reduction in credit risk allowed under the permissible investments is both necessary and prudent. Investments should be restricted to the safest and soundest of products and should in no way include low grade mortgage backed securities or comparable products.

In addition, we would strongly urge the agency to consider heightened capital standards within a risk-based capital structure for corporate credit unions as part of this process. A properly weighted risk-based capital structure would enable NCUA to equate capital expectations with the expanded authorities granted to particular corporate credit unions.

The ANPR also asks whether corporate credit unions should be required to requalify for expanded authorities on a periodic basis. In light of recent events, we believe that, in addition to regular oversight, it would be sound regulatory practice for the agency to require corporate credit unions to sufficiently demonstrate their ongoing ability to manage the expanded investment authorities they have been granted. To accomplish this purpose, we would suggest that initial expanded authorities be granted for limited duration for three to five years with renewal applications required on two-year intervals to ensure that the corporate has the appropriate management structure and sophistication to maintain the expanded investment authority going forward.

## Corporate Governance

In our opinion, we see some advantage in establishing minimum standards and term limits for board members of corporate credit unions. If properly implemented, the establishment of minimum standards for service, along with term limits, can foster innovation, creativity, and enhanced oversight performance. Term limits should be structured in a way to ensure continuity and consistency in the operation of the institution and the board itself. To accomplish this objective, we would suggest that the terms of the board members be staggered with board members being allowed to serve for no more than three consecutive terms.

The ANPR also questions whether directors of corporate boards should include “outside directors” and, if so, should they be allowed to receive compensation for their service. We see no benefit whatsoever in having a director from outside the credit union community on the board of a corporate credit union. Based upon the number of publicly traded companies with outside directors that have been impacted by the present marketplace conditions much more than have corporate credit unions, we think it unwise to assume that “outside directors” automatically prevent losses in any enterprise. If the presence of outside supervisory examinations and CPA audits did not prevent the current losses at the corporate credit unions, it is quite unlikely that the presence of outside directors would have in any way prevented the current situation from occurring. We feel that corporate credit union boards should continue to be comprised of members with expertise in the uniqueness of credit unions and who will directly feel the impact of their decisions on the corporate credit union boards.

Regarding compensation for corporate credit union boards, we see no compelling reason for this to be mandated by the agency. However, should the agency elect to authorize compensation for the directors of corporate credit unions as a decision that can be made by the individual corporate, it is our view that the compensation should be to the board member’s credit union in that the natural person credit union would be the legal entity paying for the executive’s time to serve on the corporate board.

The ANPR also poses another totally irrelevant issue, in our view, regarding the transparency of executive compensation and the need for access to salary and benefit information for senior management of corporate credit unions. We find the agency’s decision to raise this issue in the ANPR to be overreaching and beyond the normal scope of an effective regulatory process. Executive compensation and disclosure of salary and benefit information have no bearing on the current corporate credit union crisis.

A number of publicly traded companies, each with their management compensation packages fully disclosed to the public, have gone bankrupt during this present crisis. Some have folded. Others have merged. Few, if any, publicly traded companies have not been impacted. Still, the “transparency” of their compensation packages has not saved them from challenges and difficulties. We fear that bringing this type of public disclosure from the realm of publicly traded companies (where it is appropriate) into the arena of member owned, not-for-profit cooperatives (where it has never been a compelling issue that could not be addressed on a credit union by credit union basis) will result in many more negative repercussions than positive benefits.

We do not question the need for corporate credit unions, their boards, and the executives that manage them to have a high degree of accountability to their members. However, we believe that public disclosure of executive compensation could work against the ability to hire and retain the best management talent at corporate credit unions. We strongly encourage the agency to avoid the tendency of agencies regulating other types of for-profit enterprises and publicly-held companies to become the arbiters of executive compensation through the controversies that public disclosure inevitably presents. In many organizations, public disclosure of executive compensation is appropriate. At not-for-profit financial cooperatives, it is not.

Structure: Two-Tiered Corporate System

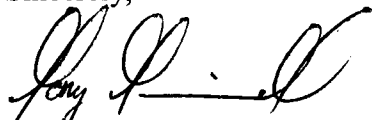
Finally and most importantly, we believe that the corporate system should consist of a single tier with the elimination of the wholesale corporate credit union level. We feel strongly that significant consolidation of the corporates will save our industry millions in overhead and result in a much more efficient system that can rebuild capital, increase safety and soundness, and lower the level systemic risk we have today. The elimination of the wholesale tier of the corporate system would force surviving corporates to increase their internal efficiencies and manage investments, liquidity, and risk or be consolidated into other corporate credit unions. In short, each individual corporate credit union's ability to operate in a safe, yet efficient, manner will determine its long-term viability and the number of corporates remaining in the system.

While we feel that the credit union marketplace should drive this consolidation within the regulatory parameters established under this proposed rulemaking, the potential efficiency gains by reducing the number of corporates to approximately six to ten would allow these institutions to rebuild capital and more effectively compete with organizations outside the corporate system. Of all the items considered in the ANPR, we feel that elimination of US Central and consolidation of the retail corporates is the most expedient way to rebuild capital and the strength of the credit union system.

We appreciate the opportunity to comment on this advance notice of proposed rulemaking. As we certainly recognize your difficult challenge as the safety and soundness regulator for federal credit unions, please know that you have our sincerest respect as you approach these difficult and challenging issues. Hopefully, our comments will be beneficial to you as you continue through this rulemaking process.

Please do not hesitate to contact us if we can be a source of additional information about the matters discussed in this comment letter.

Sincerely,



Gary Grinnell

President and Chief Executive Officer

cc: Chairman Michael Fryzel  
Vice Chairman Rodney Hood  
Board Member Gigi Hyland